



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

International Business Coöperation

BY EDWARD A. FILENE,
Boston, Mass.

THE question today is not: Shall we have a League of Nations? A league is in process of formation even as we discuss it. The point of concern has shifted. The most important single question before the world today is this: *What kind of a League are we going to get?* Questions of reconstruction and readjustment, questions of permanent prosperity for business, questions of democratic progress, questions of social advance are at this moment all secondary to that question. Unless we get the right kind of league, the outlook for sane readjustment, the outlook for business prosperity, the outlook for a finer development of democracy, and the outlook for solid social advance are sorry outlooks indeed.

I want to make two observations upon the question as to the kind of league we want and discuss them briefly in turn. These observations are as follows:

(1) The right kind of league must rest upon a constructive peace based upon justice and sound principles of organization.

(2) The right kind of league must take into account the fact that the lasting peace of the world must be based upon effective and harmonious working out of the problem of business relations between nations; and the fact that there are several pressing problems of business and economics that must be met by international coöperative action if the peace of the world is to be kept during the next few years, not to mention lasting peace.

A CONSTRUCTIVE PEACE

In the first place we must have a constructive, not a patched-up peace. A patched-up peace might for a time satisfy the individual wishes of individual nations, but it would contain the germs of another war. It is not make-shifts and temporizings that we want—we must provide for a lasting peace. At the beginning of the war surgeons attempted to deal with leg wounds by removing just the infected parts, but they soon found the mortality rate following that method was extremely high; then they adopted

the more heroic method of amputation when the case looked doubtful—the mortality rate immediately dropped. The statesman's problem is today a good parallel to the surgeon's problem. The time demands heroic treatment. A constructive peace is one that provides for a lasting peace by a straight-forward dealing with those forces and factors the bad or inadequate administration of which will produce friction that will lead to another war.

Some of these specific things I will discuss in a moment; but this much should be said at this point; we must have enough international organization—courts, councils of conciliation, commissions of adjustment and administration for certain matters, provision for common action to defend the common peace of the world—enough international organization to introduce and keep order and stability in the international situation or business will not have either the chance or freedom to develop along normal and healthy lines. The old condition of insecurity, not to use the stronger term anarchy, in the international situation is a standing bid to reckless, destructive, and ill-considered radicalism. Some business men are likely to shy at the suggestion of any increase in control; they are likely to say that business does not want to add international control to national control of which they already have quite enough.

But it must be remembered, and far-sighted business men are saying, that business cannot succeed permanently save in an orderly and stabilized world. The disorganization of Russia and Germany is not exactly the sort of situation in which business can prosper. So American business men, purely on a basis of self-interest as well as high purpose, have a very deep interest in seeing prevail such measures as will stabilize conditions in Europe. As business men, it is our duty to our interests no less than to our ideals to give profound and sustained attention and consideration to the problem of bringing every possible pressure upon the men who are writing the treaty at Versailles and the men who will be called upon to ratify the treaty at Washington to see to it that the treaty provides for the kind of league that will deal in man-fashion with the elementary problem of keeping order in the world, that is, a league that will really set up those organs of law and order which have proved effective in keeping order between individuals, and a league also that will boldly face

the problem of treating internationally those specific problems of food, raw materials, shipping, business opportunity, and the like which if rightly administered are going to mean bonds of common interest and understanding between the nations and greater freedom for the healthy development of business the world over, but which if wrongly or weakly administered will mean simply the setting of the stage for another war. And that brings me to the second observation I want to make.

Now there are certain things like food, shipping, and tariffs, which if left for each nation to administer solely upon the basis of immediate selfish interest will make for friction and discontent and drive the same masses into the camp of reckless radicalism. Therefore business men are interested in getting a league that will insure a treatment of these things that will prevent this. Let me discuss these specific matters in turn briefly:

A POSSIBLE SHORTAGE OF SUPPLIES

Food Stuff. On every hand we find serious students of the situation predicting a world shortage of supplies after the war. The more farsighted students contend that if the world faces famine after the war it will be due not primarily to inadequate resources but to the inadequate administration of the world's resources. We find, for instance, the memorandum of Inter-Allied Labor War Aims declaring that some systematic arrangement on an international basis, of the distribution of the world's foodstuffs, is imperative in order to prevent the most serious hardship and even possible famine in one country after another. But whatever the cause,—famine, the threat of famine, or even the fear of famine,—it involves certain serious and far-reaching international effects. (I use the word famine in a relative sense to indicate a really serious shortage of supplies.)

A real shortage of necessities in *any* country will concern *every* country because it will tend to breed revolutionary discontent or may even prompt to foreign war the nation that is pinched. The real maintenance of lasting peace is finally more dependent upon its being seen to that there is such an equitable distribution of the supplies of the world among all nations as will meet their imperative needs, than upon any purely political or diplomatic arrangements we may effect.

The outlook is that there is but one thing that will effectively forestall the threat and consequences of a world shortage of supplies, and that is something approaching a coöperative international administration of the world's necessary supplies. I am not thinking of any hard and fast international economic government. I am not thinking of the appointment of an economic generalissimo. We are not liable to turn the business of the world over to a Foch of commerce. I am thinking, however, of a certain international arrangement, which the United States is in a peculiar position to initiate, under which the total resources of the world might be administered in a manner that would best speed up the processes of reconstruction, remove the fear of famine from the world, allay some of the more patent economic causes of revolutionary discontent, and help maintain the peace of the world.

We faced the threat of a shortage of supplies during the war but we met it by the common sense action of coöperative international administration. A food shortage threatened the Allied nations, but each nation appointed its Hoover; they got together; result—there was enough food to go around. This principle was increasingly applied to the whole range of the economic needs of the nations at war with the Central Powers, until finally we achieved a unity of economic administration almost equalling the unity of our military administration. This unity of economic administration for war time was coördinated with finance through the Inter-Allied Finance Commission; with shipping through the Inter-Allied Shipping Council; with export and import relations through an Inter-Allied Board, made up of representatives of our War Trade Board and corresponding bodies in the Allied governments.

In the same way munitions, food, fuel, and other supplies for the prosecution of the war were handled by coöperative action. We saw admirable results from the international pooling agreements regarding nitrates, tungsten, tin, and other such commodities. Subordinate to the Inter-Allied Councils, commodity committees were organized. Now the result of all this economic coördination was that we assured an adequate supply of the materials necessary for the war, and succeeded in organizing the distribution and transportation of these supplies so that the needed

materials were in the right place at the right time and in the right quantities.

Raw Materials. In the matter of raw materials it is even more apparent that it will not do to leave the placement of raw materials to the give and take of bargaining as in the past, with some nations at a decided disadvantage. The getting of raw materials is so tied up with internal content and discontent in every nation and thereby with the maintenance of lasting peace, that the best interests of the whole world demand the existence of some international body that shall study the question of raw materials in the light of its international implications and see to it that the raw materials of the world are distributed in the manner that will best promote the healthy progress and best preserve the peace of the world. Lasting peace will be a foolish dream unless every free and law-abiding nation can get the raw materials needed for subsistence. We may well shudder at the possibilities of international friction leading to war latent in an unregulated scramble for raw materials in which the rule prevailed of let him get who can and let him keep who has.

THE CONTROL OF SHIPPING

Every big sea nation must have its ships, for ships mean not only transportation, but they mean that the nation that controls sea-transportation will have a very great power to control prices at least on raw materials and foodstuffs and eventually if that control is not disturbed might control the finances of the world. It seems therefore clear that ocean transportation after the war will exert marked influence on prices and is therefore basic in any consideration of domestic or world trade. Goods made and sold in this country contain in their market prices the costs of transportation and generally speaking the market price rises and falls in a manner to absorb this cost of transportation while necessarily diminishing the profit of either the producer or middle man.

On goods we export, however, the market price is bound to accord—if we really succeed in world trade—with the world's market price, and any excess in the cost of ocean carriage must, as a general rule, be deducted from the price the producer is able to get. Such deduction under ordinary circumstances affects not

only what he exports but also what he sells at home. This means that if in peace time the price of wheat at Liverpool is, say, \$2 a bushel and the cost of transportation to Liverpool is 10 cents a bushel, the seller in this country will get about \$1.90 per bushel for his wheat. If the cost of transportation, however, to Liverpool is 50 cents, the seller in this country will get about \$1.50 per bushel for his wheat.

Evils similar to these formerly complained of in railroad rates may occur in ocean carriage. There may, in the absence of adequate regulation, occur understanding and combinations leading to great shipping trusts which may exert monopoly power. Under such conditions rates may tend to create other monopolies of buying and selling. Ports may, under such circumstances, be unjustly discriminated against and extraordinary speculation in prices and commodities may be possible.

The same reasons, therefore, that hold good for the regulation of railroads by an interstate commerce commission may likewise hold good for the regulation and control of ocean carriage through some international arrangement, say an international commerce commission. Such a commission is to be welcomed, not feared, by our business men, including our ship owners.

Fixed rates that are reasonably profitable for ocean carriage will give us what we need most—a dependable basis of calculation on which to make offers to buyers in foreign countries and a more dependable and consistently profitable business for owners.

Merchant ships are a part of a nation's defensive power. Until the league of nations which we must have has proved its efficiency, and until nations are ready to disarm, they will not be ready, if they can prevent it, recklessly to turn over their sea transportation to another nation. This lesson has been strongly impressed on all nations by the war. As a result every nation with sea interests will strive for a merchant marine of the biggest size. It is inevitable that there will be an over-production of ships—that is, the nations will duplicate in shipbuilding and in a few years there will be more ships than are actually needed for the carrying work of the world. Ships will then become a less desirable and less profitable investment, and in an effort to adjust matters old and bad forms of control and combination may occur. In any event under such conditions transportation rates will be

extremely low at one time and extremely high at other times according as the temporary necessity for ship transportation is pressing or otherwise. So here again the business-like thing to do is to try to foresee what is likely to happen and to work out some form of international coöperation that will avoid these dangers.

Under the conditions the world is facing, if we use our ship power regardless of the needs of the other nations, that is, without a business-like generous international agreement, we shall not only fail to reap the expected advantages from it but we shall endanger the peace of the world. More than that, we have won our shipping superiority largely while other nations were fighting our war, and if we use it without regard to the pressing needs of those who fought our war then we shall be in great danger of making the world believe that we were insincere in our statement of our war aims—aims for which we were willing to sacrifice the lives of our soldiers and for which we should not now hesitate to use generously our economic advantages.

NECESSITY FOR INTERNATIONAL COÖPERATION

It is unnecessary to do more than mention in passing the friction that is latent in the tariff question unless we bring the federated and coöperative thought and action of all nations to its solution. Now the friction and misunderstanding that will inevitably grow out of these questions I have mentioned *must*, if business is to go on profitably in any country, reach a basis of conciliation and agreement. Two methods lie open for reaching such agreements—either the forced bargaining between individual nations or the treatment of them in an international clearing house for discussion and adjustment such as a finely conceived league of nations can afford. The first is the bungling, slow, costly, and finally the disastrous policy. The latter is the method that sound business judgment will dictate. This set of considerations alone makes a league of nations a matter of business necessity.

Now the point with which I want to close this discussion is this: The emergency demands of the trying years just ahead of us will clearly demand such coöperative international action as will help maintain the internal content of all nations by assuring all nations justice and equality of opportunity for economic development—and just such coöperative international action in mat-

ters of common economic interest among nations is one of the essential features of any league of nations that is to succeed in maintaining lasting peace. So if the business men of America, with their accustomed breadth of vision and sincere devotion to the common welfare of the world, rise to this greatest opportunity of their lives and dedicate the business strength of the United States to leadership in an international partnership for administering the economic necessities and opportunities of the world in such a way as to meet the emergency demands of the next few years, they will thereby be laying the foundations for what will perhaps prove the most important part of the league of nations and will make the major contribution to the maintenance of the future peace of the world.

The moral recoil of the world from the horrors of this war, joined to the constructive statesmanship of the world, will doubtless bring about some kind of a league of nations to restrain a law-breaking and aggressive nation in the future. Shall not American business do its part in completing the structure and broadening the function of such a league so that it may remove the causes of, as well as deal with the occasions for war?